
Minutes Board of Natural Resources “Special Meeting”

June 25, 2003
Natural Resources Building, Olympia, Washington

BOARD MEMBERS PRESENT

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Glen Huntingford, Commissioner, Jefferson County

Bruce Bare, Dean, University of Washington, College of Forest Resources

James Zuiches, Dean, Washington State University, College of Agriculture and Home Economics

BOARD MEMBERS ABSENT

Terry Bergeson, Superintendent of Public Instruction

Terry participated by phone between 1:15 p.m. - 3:00 p.m.

CALL TO ORDER

Chair Sutherland called the special meeting to order at 9:10 a.m. on Wednesday, June 25, 2003, in Room 172 of the Natural Resources Building. He also noted that Terry Bergeson would be conferencing into the meeting as soon as she was able.

APPROVAL OF MINUTES

MOTION: Jim Zuiches moved to approve the June 3, 2003, Board of Natural Resources Minutes.

SECOND: Bruce Bare seconded.

DISCUSSION: Jim Zuiches pointed out that his departure from the last meeting was not noted in the minutes. He had excused himself just before the timber sales presentation.

ACTION: Motion passed unanimously.

PUBLIC COMMENTS FOR AGENDA ACTION ITEMS

Jeff Compton - The Nature Conservancy

Mr. Compton expressed enthusiasm for the Big Rock Trust Land Transfer and congratulated the department and especially the staff working of the Trust Land Transfer program. He commended Debi Vanburen and Evert Challstedt for their hard work and dedication to the project. He also noted that the Big Rock project illustrates how the Trust Land Transfer program can work. Big Rock was a cooperative project and represents the department's cooperation with the county and local community. He also stated that the Nature Conservancy is enthusiastic about the Legislature's appropriation for trust land transfers for '03-'05. The projects will benefit schools, trust lands, solvency, and native species in Washington.

LAND TRANSACTIONS

Debi Vanburen began by explaining the “batch” concept. In 1996 the department began development on a concept to group a batch of sales together in Grant County and the concept was found to have merit. The purpose of batch processing is to increase transaction efficiency by minimizing some of the transaction costs. Grant County has become the pilot project for this method. She then began introducing the next eleven land sales included in this group of batch sales in Grant County (pilot project). First, she commended region and division staff for all of their hard work on this and other projects and introduced Dick Wedin from the Southeast Region Office, the primary coordinator for the batch process in Grant County. She added that the project divests of state trusts of eleven small, scattered parcels in Grant County with a total acreage of 273.

Bob Nichols wondered why it is called a pilot project asking if there is potential to do this elsewhere?

Ms. Vanburen indicated that this is the first time the department has processed transactions in batch form and yes, there is great potential to do more transactions in batch form.

Mr. Wedin added that in 1996, he and Bruce Monell, Kit Metlin, Jack Hulse, Robin Estes, Gale Allen, and other staff reviewed the asset inventory, assessment project, land transactions, and repositioning of assets. Through those discussions it became apparent that criteria should be developed to reposition assets and vehicles were needed to make that happen. It was also determined that small parcels cost as much to manage as large parcels and at that time it was decided to try this pilot project. Grant County was selected because they expressed interest in relation to the small isolated tracts.

Chair Sutherland asked that Mr. Wedin complete his presentation on all eleven sales then instructed the Board members to offer individual motions for each resolution individually after the presentation is complete.

Babcock Ridge Land Sale #02-74449 Resolution #1075 (Handout 1)

Dick Wedin - Southeast Region Office, began with the location on Highway 28, 2 miles west of Quincy. The parcel is 18 acres surrounded by irrigated property; sale price is \$4,500 (\$250 acre); zoned for agriculture; there are no improvements; the property generates no income; only 3.6 acres are usable due to the highway.

Bruce Bare asked why the adjacent land owner wants to buy it?

Mr. Wedin said access - to get to his house and the Babcock Ridge Lake.

MOTION: Glen Huntingford moved to approve Resolution #1075.

SECOND: Jim Zuiches seconded.

ACTION: Motion passed unanimously.

North Moses Lake Land Sale #02-74502 Resolution #1076 (Handout 1)

Dick Wedin indicated the location just west of Grant County Fairground; 18 acres; property value is \$75,000 (\$4,167 acre); income \$450 year; improvements - cattle sheds & pens (lessee owns) and fences; use - irrigated pasture and wildlife habitat; zoned urban residential 3.

Chair Sutherland asked how the per-acre price was established?

Mr. Wedin said it is the appraised value divided by the total number of acres.

Chair Sutherland then asked what the appraised value was based on?

Mr. Wedin said comparable sales for similar sales in Grant County based on highest and best use.

MOTION: Bob Nichols moved to approve Resolution #1076.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

Road 6 & G Land Sale #02-74450 Resolution #1077 (Handout 1)

Dick Wedin indicated the property is located 11 miles south of Ephrata; price \$30,000 (\$1,500 acre); income \$50 year; 20 acres; portion irrigated (private water source); no improvements; use - wildlife habitat and cropland; zoned agriculture; lease to be cancelled.

MOTION: Jim Zuiches moved to approve Resolution #1077.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

Quincy West Land Sale #02-55875 Resolution #1078 (Handout 1)

Dick Wedin indicated that the property is located 1 ½ miles west of Quincy; price \$50,000 (\$2,500 acre); income is \$480 year; 20 acres; portion is irrigated (private water source); improvements - fence; use - cropland, pasture, wildlife habitat; zoned agriculture; lease to be cancelled.

MOTION: Jim Zuiches moved to approve Resolution #1078.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Desert Aire East Land Sale #02-55876 Resolution #1079 (Handout 1)

Dick Wedin indicated location 4 miles south of Mattawa; price \$22,000 (\$2,200 acre); income \$1,050 year; 10 acres; 7.7 acre irrigation allotment; no improvements; use - irrigated cropland; zoned agriculture; sale subject to lease.

MOTION: Bob Nichols moved to approve Resolution #1079.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

Frenchman Hills Land Sale #02-55877 Resolution #1080 (Handout 1)

Dick Wedin indicated the location 8 miles northeast of Royal City; price \$17,000 (\$680 acre); no income; 25 acres; no improvements; use - wildlife habitat; zoned rural remote.

MOTION: Glen Huntingford moved to approve Resolution #1080.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

Lakeview Land Sale #02-55878 Resolution #1081 (Handout 1)

Dick Wedin indicated the location 1 ½ miles south of Soap Lake; price \$25,000 (\$2,500 acre); income \$1,200 per year; 10 acres; improvements - steel bins, corrals, buildings (lessee owned); use - feedlot and grain storage; zoned agriculture; sale lease subject to lease.

Chair Sutherland asked what the value was based on?

Mr. Wedin said it is based on a feedlot homestead.

MOTION: Bob Nichols moved to approve Resolution #1081.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

D Road SE Land Sale #02-55879 Resolution #1082 (Handout 1)

Dick Wedin indicated location 11 miles west of Othello, 11 miles east of Royal City, 1 mile north of Highway 26; price \$9,600 (\$121 acre); 78.64 acres; irrigation pond (private water source); improvements - fences, pump, pump house (lessee owned) irrigation pond, fences, mainline (state-owned to transfer with purchase); use - grazing and wildlife habitat; zoned agriculture; lease - sale subject to lease.

MOTION: Bruce Bare moved to approve Resolution #1082.

SECOND: Jim Zuiches seconded.

ACTION: Motion passed unanimously.

Kulm Road Land Sale #02-55880 Resolution #1083 (Handout 1)

Dick Wedin indicated location south of Potholes Reservoir; price \$23,000 (\$793 acre); income \$655 year); 29 acres; portion irrigated (private water source); improvements - well, pump house; electrical system and pump, mainline (state-owned to transfer with purchase); use - 5.25 acres irrigated, 24.16 acres wildlife habitat; zoned agriculture; lease to be cancelled.

MOTION: Glen Huntingford moved to approve Resolution #1083.

SECOND: Jim Zuiches and Bruce Bare seconded.

ACTION: Motion passed unanimously.

Wheeler West Land Sale #02-70144 Resolution #1084 (Handout 1)

Dick Wedin indicated location 3 miles east of Moses Lake; price \$200,000 (\$10,000 acre); income \$971 year; 20 acres; water - 9 acre allotment; no improvements; use - irrigated cropland; zoned light industrial; lease to be cancelled. Mr. Wedin indicated the logical purchaser will be National Foods.

Chair Sutherland asked if National Foods purchases the property, what happens to water allocation?

Mr. Wedin said it depends on what their plans are. If they don't irrigate they will probably lose the allotment (he was not positive).

Chair Sutherland asked if there was a way the department could retain water rights?

Mr. Wedin said he would need to work with the district to get the water allotment transferred.

Jim Zuiches pointed out that National Foods would need the water for processing, so wouldn't they ask for a transfer from irrigation to processing manufacturing uses?

Mr. Wedin assumed they would but he couldn't be sure.

Jim Zuiches asked about the mineral rights?

Mr. Wedin said the department would retain the mineral rights.

MOTION: Bob Nichols moved to approve Resolution #1084.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

Wheeler East Land Sale #02-55881 Resolution #1085 (Handout 1)

Dick Wedin indicated price of \$145,000 - Land \$46,800, improvements \$99,100 (\$2,035 acre); income \$600 year; 23 acres; no water; use - warehouse; zoned agriculture; improvements - 2 warehouses (state/lessee each own ½ interest); lease to be cancelled.

MOTION: Glen Huntingford moved to approve Resolution #1085.

SECOND: Jim Zuiches seconded.

ACTION: Motion passed unanimously.

Mr. Wedin summarized his presentation with some comments and observations of the pilot batch process. He indicated it as a strong vehicle for dispensing of small parcels that are not economic for the agency. It is efficient and effective and he added that if it was approved, there are several areas identified as good candidates for batch processing.

After all motions were completed Chair Sutherland commended the staff for the efforts on the batch process, and he believes the experience has been very productive and has placed the agency in a much better position to manage the lands. He stressed his desire to make the necessary investment to identify where these lands are and to reposition these assets into properties that generate a greater return to the trust.

Break 10:05

Reconvened 10:20

Chair Sutherland asked if the Grant County batch sales auction dates have been scheduled?

Ms. Vanburen indicated that a tentative date is set for September, and another public meeting is scheduled for July 10, as part of the department's marketing efforts. At that meeting they will discuss the auction process.

Chair Sutherland asked that Ms. Vanburen keep the Board advised of the process.

Portage Creek Land Sale #02-74229 Resolution #1086 (Handout 2)

Debi Van Buren began with location in Snohomish County ½ mile east of I-5, 2 ½ miles southwest of Arlington; 40 acres of common school trust; zoned agricultural; current revenue \$1,240 year; land value \$200,000 (minimum bid). Benefits include disposal of parcel that is isolated and inefficient to manage; enables replacement of the asset; increases revenue potential. Department recommends the parcel be designated as land bank property and to sell parcel at public auction at the minimum starting bid of \$200,000. The department recommends approval.

MOTION: Glen Huntingford moved to approve Resolution #1086.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

Pelican Industries Trespass #T3-74775 Resolution #1087 (Handout 3)

Debi Van Buren stated that Pelican Industries is owned by Mr. and Mrs. Masland. The property is located in Clallam County, 2 miles south of Port Angeles. It is zoned forestland and it is appraised residential; appraised value \$1,100. In 1991 the private property was surveyed. In 1992, Mr. Masland purchased the property. In 2000, DNR surveyed the common boundary between the private land and the trust land and found that the original survey was in error and moved the line 30 feet, putting Mr. Masland's road in trespass on state land. The resolution is to sell Mr. Masland 3,256 square feet. Benefits: eliminates unauthorized use; remaining trust land easily managed; all costs paid by Masland. The department recommends approval.

MOTION: Bob Nichols moved to approve Resolution #1087.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

Big Rock Trust Land Transfer #02-73223 Resolution #1088 (Handout 4)

Evert Challstedt indicated that Big Rock is the last in the series of the trust land transfers for the '01 '03 biennium. As indicated at the last Board meeting, the department will not be transferring one property, Cormorant Bay, due to lack of funds (Slide 1). He then indicated the location of Big Rock 5 miles southeast of Spokane, 2 miles north of Valleyford. The property is 240 acres. Values: timber \$295,000 (\$1,229/acre); land \$312,000 (\$1,300/acre); total \$607,000 (\$2,529/acre). Highest and best use is high-end subdivision for residential development. Benefits: trust divest of difficult to manage property; provides funds for school construction; provides funds for land replacement; property dedicated for public use and recreation.

There will be a deed restriction on the property that will hold it for open space or recreational purposes in perpetuity. The legislation allows for that and specifies that it will be held under those conditions for a

minimum of 30 years. The county has provided a resolution that states they will take the property and will then transfer the property to Dishman Hills Natural Association for management and ownership.

Chair Sutherland clarified that as a decision that only the county has the authority to make.

Mr. Challstedt said yes, that the department is not a part of that decision, however, through the resolution, the county has informed the department of their intent.

Jim Zuiches brought up the 30-year legislative requirement and asked why the department is asking that the land be held in perpetuity rather than indicating a 30-year requirement?

Mr. Challstedt said that in the past there was no prior knowledge that land would be re-conveyed to other entities, but in this case it was determined that it would protect the legislative intent if the length of the deed restriction was increased, knowing ahead of time it would be re-conveyed.

Chair Sutherland added that the department had concern about not knowing the future of the private land trust, for example, if the transfer was done by Spokane County and in the future ran into difficult times, and they had this as an asset, the property could be transferred and used for another purpose.

Jim Zuiches asked if there is a reversion clause in case Dishman Hills Natural Association goes out of business? He wondered who it would revert back to?

Mr. Challstedt said the property would not revert to the department and he is unaware of specific negotiations between the County and Dishman Hills. There is a provision in the law that allows the receiving agency to petition the department to have the restriction transferred to property more suited for the intended use. The process requires an equal value exchange to transfer the encumbrance to another property.

Bob Nichols asked who owns the land to the south and the east?

Mr. Challstedt said it is in private ownership but he did not know who the owner was.

MOTION: Bob Nichols moved to approve Resolution #1088.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

Bob Nichols asked if the trust land transfer list is now complete?

Mr. Challstedt said yes and then provided an overview of a summary sheet (Slide 9) indicating that 17 of the 18 properties were transferred; counties have received 11 of the properties (2,740 acres); NRCA & NAP programs received 6 of the properties (1,972 acres); total acres 4,172. Funds expended: appropriation \$50,000,000 - CSCA approximately \$40,588,000; Land Replacement Account approximately \$8,662,000; administration costs \$750,000. Purchases made: acres \$2,238; value \$2,804,500; value/acre \$1,253. Distributions will be adjusted slightly as administrative costs are finalized for the biennium.

In response to a question by Chair Sutherland, Mr. Challstedt indicated that the Legislature has appropriated \$55 million for the '03-'05 Trust Land Transfer project. The department will begin appraisal work in July and hopes to bring a transfer property to the September Board meeting.

Neville Purchase #08-74846 Resolution #1089 (Handout 5)

Evert Challstedt indicated the location 12 miles northeast of Woodland in Cowlitz County. Characteristics: 77 acres of forestland; 6-year old conifer; soil site class II; access over DNR road system. Values: \$67,500 (\$877/acre); 5% rate of return. Benefits: adds good forestland; eliminates private inholding; eliminates private access. The property has not been well managed and will need site maintenance, there is a brush control problem, and there will be some inter-planting required. The department has full knowledge of the up front costs.

Chair Sutherland asked if the 5% return rate is still expected with the up-front costs?

Mr. Challstedt said yes. The return anticipated started at 5 ½% but is now 5% considering the up-front costs to manage the property. The region supports the purchase and the department recommends approval.

Jim Zuiches asked if the purchase price is below what is usually asked?

Mr. Challstedt said it is a bit on the high end of the market. The department did attempt to negotiate the price but the seller was unwilling to lower the price indicating he would hold and sell to someone who would pay the price. The rate of return is still acceptable.

Bruce Bare asked if an income approach was used to determine value rather than a comparable properties transaction approach?

Mr. Challstedt said yes, we use an income approach on all forestland purchases as well as a sales comparison approach on selected properties. We use a growth and economic model created for DNR by Charlie Chambers. We have a lot of experience and confidence in the model and how the results correlate with market conditions.

Glen Huntingford brought up ongoing concerns he has regarding the differences in requirements in how land is managed (private vs. state), and wondered if the timber land around the perimeter of the property might be in jeopardy due to such things as green-up policies, etc. He asked if that was an issue and if it had been looked at?

Mr. Challstedt stated that those concerns are valid, but on a purchase this small it is not an issue. He noted that he did not look at how an adjacent timber harvest might be affected in this case, but he expects that it will not have an affect. There are no spotted owl issues with this parcel.

Glen Huntingford asked if, due to steep slopes and other constraints, the department might be acquiring property that could not be harvested in the future to the extent that a private owner could harvest? Would it be better for the department to acquire flatter property that might have fewer harvest constraints?

Mr. Challstedt responded that a private landowner can usually harvest more timber under forest practice rules than the department is able to harvest under the HCP. For this reason, a private landowner will often realize a higher rate of return for the same property. In the valuation process the department models only the land that is operable under the HCP. Steep slopes and other inoperable areas are subtracted from the total area and not considered in the valuation. This process allows the rate of return

on steep properties to be directly compared to the return on level properties. Flatter property may have more operable ground, but may not necessarily show a better rate of return. Generally we look for property that consolidates ownership and provides a good rate of return.

MOTION: Glen Huntingford moved to approve Resolution #1089.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Ledgerwood Purchase #08-74711 Resolution #1090 (Handout 6)

Julie Armbruster provided a brief background the agricultural purchase program. During the last quarter of the '01 '03 biennium the department has made a concerted effort to search for high quality agricultural properties to spend land replacement dollars on. Over the last six months the result has been four different properties (one in May and these three today). A great deal of work goes into the development of an agricultural purchase and she wanted recognize the southeast staff members who have participated in the process: Milt Johnston; Duane Unland; Mark Bonnea; Brent Billingsly; Tom Buhold; Mark Brassel. She also wanted to commend Judy Wilson, County Relations Manager, for her contribution as county liaison and the amount of time she has spent discussing the agricultural purchase program with county commissioners around the state.

Ms. Armbruster then moved on to the Ledgerwood Purchase, which is a dryland farm in Garfield County. Characteristics: 896 acres of dryland farm (779.4 are farmable); mostly level ground; access from county road; production capacity - 65-76 bushels of wheat per acre and 50 bushels of barley per acre; to be purchased subject to lease by sellers (nine-year term, 28% crop share); estimated annual income is \$32,000-\$39,000 per year (department's share); purchase price is \$600,000. Benefits: adds productive agricultural property to the common school trust portfolio; comes with lease in place, allowing immediate income; property is of sufficient size and quality that it will attract future bidders when current lease expires.

Chair Sutherland asked if the department would be paying property taxes on the property?

Ms. Armbruster no, once the department purchases property it is removed from the property tax rolls, but will pay a leasehold tax.

Chair Sutherland asked if is there a significant difference between the leasehold tax and the property tax?

Ms. Armbruster said that it depends on the county and indicated that Judy Wilson has been working on the issue. What has been found so far is the dollar difference is very close (within a couple hundred dollars) but the distribution is somewhat different and some counties have issues with that.

Jim Zuiches asked who is responsible for making sure the property is in the Federal Crop Programs, meeting with the USDA, filling out forms, etc.?

Duane Unland (from the audience) came forward and stated that the lessee fills out the form and the department fills out a portion to provide authorization to participate in the program.

Glen Huntingford asked - what if the lessee of the property doesn't want to participate in the program?

Mr. Unland said someone from the department would come forward to ensure participation.

MOTION: Bruce Bare moved to approve Resolution #1090.

SECOND: Bob Nichols seconded.

ACTION: Motion passed unanimously.

Schwendiman Purchase #08-74763 Resolution #1091 (Handout 7)

Julie Armbruster introduced the Schwendiman purchase on the western edge of Franklin County near the Columbia River. Characteristics: 512 acres in two farm units; direct access to county roads; water furnished by south Columbia Basin irrigation district; good soil; deep and well drained; currently in field and row crops (hay, wheat, beans, and potatoes); will be offered at public auction as cash rent lease; estimated income is \$69,000 annually; potential for conversion to vineyard (as vineyard, income would approximately double); improvements include irrigation system, well and house (house considered of no value); mineral rights owned by USA, currently under lease; price is \$1,000,000. Benefits: adds productive agricultural property to common school trust portfolio; property will provide immediate lease income.

Chair Sutherland asked if orchards or vineyard would be suited for this property?

Mr. Unland said that is one of the criteria looked for when looking at highest and best use when properties are evaluated. The property is surrounded by high quality orchards and vineyards and eventually the Schwendiman property will be converted to a higher and better use, which will increase the value to the trust.

Glen Huntingford asked if the income listed of \$69,000 is based on hay and row crop production?

Ms. Armbruster said it is based on row crop production and could possibly double with vineyard production.

MOTION: Bruce Bare moved to approve Resolution #1091.

SECOND: Jim Zuiches seconded.

ACTION: Motion passed unanimously.

Broetje Purchase #08-74850 Resolution #1092 (Handout 8)

Julie Armbruster began with characteristics: 160 acres of undeveloped land; excellent soils, topography and climate for vineyard; remaining acres would be left for native grass and shrubs; minerals reserved by USA; addition to Goose Gap Complex, a major block of agriculture land in orchard/vineyard production; property does not currently have access or water rights, but both are available from adjacent state lands; easily leased, most likely use is vineyard (development would take approximately 5 years); estimated income as vineyard in full production \$46,750 annually; purchase price \$350,000. Benefits: adds productive agricultural property to the common school trust; adds property to a major agricultural block in an area known for high quality vineyards and orchards; property can be leased immediately. The department recommends approval

Glen Huntingford asked if the irrigation in the area comes from wells?

Mr. Unland said yes, and there is a sufficient supply from the Goose Gap Complex through the conservation of water savings that DNR has made that can be transferred to the site upon ownership.

Jim Zuiches brought up a story he read in the “Good Fruit Grower” about how the department is soliciting ideas for how to manage the Red Mountain Complex such as, should it be leased in large or small blocks, etc. He asked if there were plans for a similar invitation for this project?

Mr. Unland said yes, the department has solicited requests for development proposals from the industry and individuals and is an important method used for outreach to solicit concepts and ideas. Comments have been received from California to France, from the tourist industry, and within the communities. The county commissioner's have also provided their perspective on how to develop. The department now needs to go back and review these concepts to see how they could best benefit the trusts.

Jim Zuiches asked if there is criteria for that review?

Mr. Unland said that funding is needed.

Jim Zuiches indicated that this is a good perspective from a sociological point of view. He then asked if this issue would be brought back to the Board when there is closure to the concept?

Mr. Unland said yes, he would be eager to come back to the Board and report the findings.

Jim Zuiches stated that this is a great concept. It generates valuable interest from a variety of sources, protects the interest of the trusts, and also considers what is in the best interest of the community.

MOTION: Glen Huntingford moved to approve Resolution #1092.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

TIMBER SALES

June Sales Results (Handout 9)

Jon Tweedale - Product Sales Manager, began by clarifying the reason that there are two months of timber sales being offered (August and September) due to no July Board meeting and the August Board meeting is being held late in the month. He then began with the June sales results stating that 17 of the 22 sales offered were sold; 46.7 mmbf sold; \$13 million; \$289/mbf; average number of bidders 3; 20% above minimum bid.

Biennium sales results for FY '02 - 495 mmbf; FY '03 - 541 mmbf; approximately \$150 million. Mr. Tweedale indicated the department is on track to offer 580 mmbf (sustainable number).

Chair Sutherland asked if the level would be the same in FY '05?

Mr. Tweedale said possibly 550 but could not commit to that estimate. Because of the department reductions taking place, the production capacity is lower than 560 at this time (somewhere around 520/530/540). Depending on carry over, the target is 560. He did state that in FY '04 the department will offer a minimum of 560 and possibly 580.

Glen Huntingford brought up the 2002 target of 550 mmbf and the results coming in at 495 mmbf. He was curious what becomes of the shortfalls?

Mr. Tweedale indicated that unfortunately the ability to produce those board feet was unachievable. One of the challenges faced in FY '01 was stabilizing an unstable policy and procedure environment and stability was achieved. There were many changes made in how business was done and the allocating of resources and the staff was able to increase volume from 465 to 500 and to 550 in FY '03. The intent is to pick it up in the future. If the regions are unable to bring an agreed upon volume forward, it doesn't get lost, it gets delayed and rolls into the next year and must be produced.

Glen Huntingford commended Mr. Tweedale for the dedicated efforts of his staff and the milestones they have made.

Proposed Timber Sales for August & September 2003 (Handout 9)

Jon Tweedale - Product Sales Manager, stated there are 8 sales being offered for August at 22.3 mmbf at \$4.4 million minimum bid with an average price of \$198/mbf. There were two sales being re-offered that were not sold in June, 1) Little Nicky, which has been redesigned to be a scale sale, and 2) Khaos, which Janet Strong had made comments on at the last Board meeting. To address those comments, the Khaos sale was revisited by Vicki Christiansen and her Central Region staff. They worked with Ms. Strong via phone conversations then went on site to mark an additional number of trees in the area Ms. Strong had concerns about. The sale was adapted using the department's leave-tree procedure and left about half of the trees Ms. Strong had requested and the other half were in a road design area so they could not be left.

MOTION: Glen Huntingford moved to approve the August 2003 Timber Sales.

SECOND: Bruce Bare seconded.

ACTION: Motion passed unanimously.

Mr. Tweedale then continued with the September sales indicating there are three proposed sales at 10 mmbf at \$2.6 million minimum bid at an average of \$265/mbf. He noted that there were a number of comment letters from Washington Environmental Council (WEC) regarding cumulative effects.

MOTION: Bruce Bare moved to approve the September 2003 Timber Sales.

SECOND: Glen Huntingford seconded.

ACTION: Motion passed unanimously.

Lunch break 11:40

Reconvened at 1:00

CHAIR REPORTS

Chair Sutherland indicated that Terry Bergeson would be conferencing is at any time to participate in the discussion. He also indicated that there would be a substantial sustainable harvest discussion that would include members of the technical review committee. He then introduced Angus Brodie and asked him to provide his opening comments for the discussion.

Sustainable Harvest Calculation (Handouts 10 - 12)

Angus Brodie began with an outline of his agenda for the discussion:

1. Purpose and Need
2. Brief Description of Alternatives 1-6
3. Technical Review Committee Discussion
4. Presentation of Modeling Results
5. Next Steps

Mr. Brodie then provided an overview of the 6 alternatives starting with the Purpose and Need noting that in February of 2000, the department put out a scoping notice indicating the purpose and need of this project. The purpose was to incorporate new information into a new model to recalculate the sustainable harvest and to have the ability to analyze and recalculate the sustainable harvest level to be approved by the Board of Natural Resources. The following statement was in the scoping notice (Slide 3).

Purpose and Need

Purpose: 1) to incorporate new information into a new model to recalculate the sustainable timber harvest level
 2) to analyze and recalculate a sustainable timber harvest level, to be approved by the Board of Natural Resources.

Need: State law (RCW 79.68.040) requires the department to periodically adjust the acreages designated for inclusion in the sustained yield management program and calculate a sustainable harvest level.

Four Guiding Steps for all Alternatives

1. Accurately represent the goals and model constraints
2. Use of a reliable forest inventory
3. Develop an appropriate land classification
4. Ensure the link between strategic planning process and implementation

Recap of the Six Alternatives

Mr. Brodie noted that all six alternatives have been designed to meet the HCP goals and objectives. They basically implement the strategies of the HCP in varying degrees and that is the subtle difference.

Alternative 1 - No Action Alternative: Current Operations

The Department has attempted to reflect current operations that the department and the regions are practicing today. The results are a good indicator that the model is producing something that is reflective of current operations.

Alternative 2 - HCP Intent

The intent as an objective of modeling was to reproduce the 1996 calculation as closely as possible. In previous information the department has provided to the Board and to the public, there have been a couple of changes in assumptions/rules in the model. The key change is the flow constraint. To replicate the HCP in the 1996 modeling they used a non-declining even-flow as was done here. Another key change is from the owl circles, both under the HCP implementation, and the administrative owl circles to be released in 2004 (or assumed to be released in the Model in 2004).

Alternative 3 - Combined Ownerships

Mr. Brodie reminded the Board of the ownership groups: current policy states that we have 24 ownership groups on the west side. That policy is also implemented in Alternatives 1 & 2, but in Alternative 3, we combine all of the trusts and ownership groups into one west side group. In addition to that, the only other change made from Alternative 2 is we open the flow constraint from Alternative 1.

Alternative 4 - Passive Management Approach

This alternative looks at longer rotations; moving up minimum age that will allow regeneration harvests from an average of about 60 years to 80 years. A policy was also introduced to protect existing stands that are over 150 years in age. The habitat management is divided between passive management in the riparian areas and some active management in owl areas. Alternative 4 is similar to Alternative 1 with some adjustments to management strategies applied to the NRF areas.

Bruce Bare asked if the same harvest flow constraint in Alternative 4 and was used in Alternative 1?

Mr. Brodie said yes and that the ownership group was also the same.

Alternative 5 - Intensive Management Approach

Alternatives 5 & 6 take different approaches in terms of flow. Alternatives 1-4 all regulate by volume, Alternatives 5 & 6 regulate by value. This leads to a paradigm shift in management thinking. Alternatives 1-4's rotation ages are determined by age, however in Alternatives 5 & 6 they are determined by maximizing of net present value. Alternative 5 also uses an industrial management approach, i.e., there is focus on maximizing the net present value of individual stands, there is fertilization available, and there is regulation by value and also a modulating unconstrained flow control rule.

Alternative 6 - Innovative Silviculture Management

Similar to Alternative 5 but adds in an element of biodiversity pathways or innovative silviculture in the habitat areas. It uses biodiversity pathways, which result in slightly longer rotations to develop habitat in habitat areas, i.e., riparian, NRF, and dispersal areas on the OESF.

Bruce Bare had two points: 1) he asked Mr. Brodie to comment on whether any of the alternatives would be certifiable, and 2) he wanted to know if any of the alternatives will achieve long-term goals of sustainable forestry?

Mr. Brodie first addressed certification and he did not believe any of the alternatives foreclose the option of certification. Second, he believes that each of the alternatives reflect a different approach to sustainable forestry.

Note: Terry Bergeson joined the discussion via conference call at 1:15

Mr. Brodie then began an introduction of the Technical Review Committee members, reminding the Board of the purpose of the committee: the committee was put together to assist the department and to review the technical elements of the analysis supporting the calculation. The department's objective was to build a robust model so it would support the Board's decision-making process. It was determined that an external review by specialists with knowledge of that process would contribute to that goal. The committee has been diligent around the assumptions of growth and yield and they have helped to promote the use of evaluating, in terms of forest structure rather than with a simple surrogate such as stand age. He then introduced the committee members and indicated that each presentation would be approximately 10 to 15 minutes.

Sustainable Harvest Technical Review Committee

Dr. Andrew B. Carey - USDA Forest Services

Mike Mossman - Port Blakely Tree Farms Inc.

Will Hamilton - President, Hamilton Resource Management

Dr. Andrew B. Carey - USDA Forest Services (Handout 11)

Dr. Carey provided a handout of his powerpoint presentation and then introduced himself as the chief research biologist and leader of the ecological foundations of biodiversity research team for the forest service research branch in Olympia. He also led the Washington forest landscape management process (a joint effort between DNR, the Forest Service, University of Washington, and the Oregon State University) looking at approaches to forest sustainability. Dr. Carey has worked with, and been exposed to, a variety of interest groups, landowners, and land managers, and the problems they face and the issues they see coming in the future. He stated that the SHC process has been collaborative and informative. It has been data based with an accumulation of data, generation of new data, and reality checks and feedback. He has been impressed with the amount of work and the technical expertise that the department has brought to the project, as well as the enthusiasm and participation of the technical review committee.

Dr. Carey discussed process, stating that it provides a good partial basis for future work and it suggests policy changes are needed and it has provided some interim guidance for sustainable harvest goals. He indicated that there are desirable changes needed that cannot be made immediately, however management must proceed.

The SHC demonstrates the problems are extremely complex and not amenable to simple pick-your-option or mix-and-match. Interactions need to be analyzed - they will produce surprises. Under the best circumstances it speaks only to potentials, not reality, it is a partial basis for local planning, and it could be developed to provide a model for local decision-making, particularly when various environmental measures are established.

There are challenges and opportunities for policy making. Problems exist with ownership groups and evenflow; zoning; rotation lengths from an environmental sustainability point of view; volume vs. value; single vs. multiple products; and values other than wood and wildlife. Dr. Carey stressed that the decision space is so constrained that rational that integrated multi-value management is not possible. Present conditions resulting from past management and the dominance of competitive exclusion stages suggest there is a long-term risk to forest health and is not easily solvable given the present economic climate. Current policies could maintain the risk to forest health; could exacerbate wildlife and fish problems; could generate fewer goods and ecological services than feasible; and could produce public dissatisfaction.

Dr. Carey then provided his suggestions for the Board's consideration:

Need for larger, clearer goals and objectives

Formulate a broader, deeper vision

Provide active societal leadership

Take bold steps

The intersection of the environmental, economic, and social sustainability is where the policy and result should be, however he wanted to clarify some of the interactions among the three. Market forces are complex and what is not adequately considered is the societal attitudes role in market forces and how consumers make their decisions and what values they bring. Demand interacts with supply and that is seen in Washington a great deal with restricted supply in the last decade reducing demand by mills and other purchases of raw wood because they couldn't get the wood, they can't maintain the infrastructure,

so they are eliminated and there is no demand. A shorter rotation potentially will lead to an oversupply of poor quality products. Under the economic aspects the variety of products, the value of products, and the even-flow of products are necessary to restore and create infrastructure in the wood products industry and get people to invest in mills and logging equipment. There needs to be a perception of an even-flow of raw wood for people to want to invest; provide ongoing economic activity; and provide ongoing employment. Without supply there won't be demand.

The public is interested and wants to be involved; they won't be content to simply observe; they are active at the local level; and they will demand new approaches to silviculture, multi-value management, and participation. The public's participation could provide opportunities for more effective management; developing a civil society including collaboration vs. litigation; and stimulate demand for DNR forest products. It is important for the state to get behind DNR.

The habitat focus needs to be expanded (which is now principally on Marbled Murrelet owls and salmon) to environmental sustainability. This is a selling point for the general public; the idea that the lands produce ecological services such as clean air and clean water and that we have ecologically functional stands and landscapes helping resilient forests, and the concept that the maintenance of biological diversity is the foundation for sustainability of wood production as well as wildlife. This doesn't mean to replace the good work that has been done, it means expanding upon the vision as we go through time.

The diversity, complexity, and long rotations provide the basis for product mix, even flow, healthy stands, healthy landscapes, viable populations, and general sustainability. The ecological results are clear - short rotation landscapes look like they do in the upper ones, the longer rotations are much more aesthetic, but even more important, we have put together the pieces that provide the basis for sustainability.

There are complex food webs and we understand how to manage for those now, and it is very important in the health and resiliency in the forest. In the future we will be faced with major threats from invasive species, pathogens, insects, and pests and these need to be planned for. Dr. Carey indicated that he hopes the federal and state government spend more time addressing the problem of invasives. Ecological forestry includes various technical aspects such as variable-retention harvest systems; multiple regeneration; maintenance of plant diversity; promotes bio-complexity; and longer rotations. But the real challenge is in changing the policy or perhaps law; changing the HCP; changing the allocation of resources; remove institutional barriers; training and continuing education for staff; and acquiring new lands.

Mike Mossman - Port Blakely Tree Farms Inc.

Mr. Mossman introduced himself as the Vice President of the Port Blakely Tree Farms in Washington, Oregon, and New Zealand. He also oversees the silviculture investment, forest inventory information system, sustainable harvest calculations, implementation, and acquisitions and dispositions. He stated his 25 years of experience as a professional forester working for Boise Cascade on the west side for the Campbell Group, and for the past 15 years for Port Blakely. He is familiar with DNR's Options Program (software designed for forest estate modeling, harvest, scheduling, and policy analysis) stating that it is one of a suite of models he has used for in-house analysis. He applauds the department and the Board for its open and transparent process on this complicated issue with many stakeholders and he supports the way the process is being done. In working with the technical review committee, he believes that Angus Brodie did an excellent job in selecting the participants, the DNR staff is very qualified and responsive to the comments and considerations of the committee, and they have effectively represented the alternatives to the committee. There has been a lot of interaction, and many of the comments made by the committee have been incorporated into the alternatives that are before the Board now.

Mr. Mossman commented on Option, indicating that there has been a lot of discussion about optimized models vs. simulated models. Each model has strength and weakness. The weaknesses of the Options model: growth and yield module is stand based not tree based, which is a challenge to common habitat definitions; it is without a search averism or optimization and therefore creates the possibility that some opportunities are left uncovered such as additional harvest or additional habitat enhancement. The strengths of the Options model: it captures local and dynamic constraints; it produces a non-aggregated output making implementation far easier for region staff. Considering the constraints associated with state trust ownership and with the HCP, Options is an appropriate choice for use by the department.

The SHC process needs to be viewed as an iterative process, not a once-every-ten-years routine. The results of each alternative are not real answers in the sense that $1+1=2$. They are likely consequences of an action based on a lot of assumptions within each model. Whatever the final choice of action is, there needs to be an integration between that strategic plan and the tactical implementation on the ground. Without it, the cause and effect assumptions driving the model will be invalid. There needs to be monitoring put in place for effectiveness, compliance, and validation of those assumptions and the results of the monitoring needs to be fed back to the model to refine the assumptions and have the model re-run in a continuous improvement loop. In the past, the process was started from scratch with new assumptions, new data, and new policies, and this will simply repeat the process, not improve it.

Regarding mixing-and-matching, Mr. Mossman's recommendation is for the department complete the sensitivity analysis of each alternative including the data driving the model as well as the assumptions behind that. The Board's ability to sift through the information would be much easier if this was done, for example: is the inventory high or low; are yield tables appropriate; are habitat assumptions working; assumptions on price or cost; is there ability to do thinnings.

Mr. Mossman also expressed concern that some of the alternatives will produce products for uncompetitive markets such as large logs. He said that Port Blakely has been managing with long-term rotations and multiple thinnings for many years and at this time they are seeing about a 25% discount for their logs with large end diameters over 30" and it's getting worse. In a 150-mile sourcing circle around Olympia, the ratio of mills accepting small logs on a regular basis as opposed to large logs is about 5 to 1

Terry Bergeson asked Ms. Mossman what he meant when he expressed concern over the tree-based vs. stand-based?

Mr. Mossman explained that a "stand-base model" projects growth from yield tables meaning you take stand average, project them forward, and provides stand averages. A "tree-based model" takes a tree list for the stand and projects that forward, growing each tree and observing the interaction between them, providing a tree list of grown trees. It is much easier to fit into some of the old habitat definitions of so many trees above a certain DVH or of a certain crown size of class.

Terry Bergeson wanted to understand the implications of that concept.

Mr. Mossman responded that the department has done a good job of depicting the habitat classes in a different manner.

Mr. Brodie added that we are losing some of the detail of our forest inventory at the start of the process because we are only using stand averages to describe each stand that goes into the model rather than looking at the details.

Terry Bergeson said it sounds like this was chosen to help interpret the complexity of the details, but she wanted to know if they are close enough to bring the Board to a point to make good decisions on approaching events?

Mr. Mossman said yes, indicating that there also needs to be a monitoring program in place and feedback and recalculation of the model on a regular basis.

Dr. Carey added that one of the problems is that a lot of the habitat definitions were arrived at in a quantitative sense i.e., how many trees per acre of a certain size. This one was done out of practical expedience but does not relate well to real world habitat conditions so now the average stand condition and the stages that Mr. Brodie is using relate to real world conditions of the biological community, but they are losing the precision associated with a certain number of trees of a certain diameter. These stages are related to the process by which the entire forest ecosystem develops and is much more meaningful in terms of the overall biodiversity and habitat.

Terry Bergeson brought up an earlier statement made by Dr. Carey when he indicated that he liked the SHC process but had concern about whether biodiversity growth can work if there isn't funding or public support. She acknowledged the need to persuade the people, the legislature, and the community to think differently about the important work that the department is doing to build a sustainable forest through the route of balance. She asked if that was the message that Dr. Carey was trying to convey earlier?

Dr. Carey said yes, and more than that, he expressed concern that he and a number of land managers are going to be faced with a hostile market environment for their products in the future. He indicated that there would be a lot of small diameter, low quality products, and a lot of imports available. It would be difficult to get around that when we want our lands there for more than just revenue? There needs to be support from consumers; we can't compete with New Zealand and South America.

Mr. Mossman agreed, indicating that they are looking for new products and new ways to handle the issue.

Will Hamilton - President, Hamilton Resource Management

Mr. Hamilton indicated that for the last seven years he has been involved with determining sustainable harvest levels for a number of private trusts for forest estates and has been responsible for implementing some of them on the ground. Earlier in his career he was responsible for resource planning and harvest scheduling for a large industrial landowner and that role included a special two-year assignment at the University of Georgia where he worked with a team of harvest schedulers and helped develop some of the most sophisticated forest estate models in the country. Through these experiences, the role of technology has changed significantly, especially in regards to this SHC analysis process.

Mr. Hamilton concurred with Mr. Mossman regarding the recalculation process and its credibility. He personally gave the department high marks for their efforts. He stated that Mr. Brodie and his team have worked tirelessly over the last three years and he recognized them for their outstanding efforts.

Regarding the Options model, within the technical review committee, there were members on the optimization side and members on the simulation side. Mr. Hamilton prefers the optimization side stating that it is important to recognize that the Options model is a spatially explicit simulation model and that its use in evaluating each of the alternatives is important in terms of how it comes up with an answer, but there is still another answer out there. Regarding the use of Options and other tools, the modeling efforts should have utility well beyond the sustainable harvest calculation process. It can and should be used by the Board to test and evaluate policy changes and alternatives through time. Some of these include the

combination of individual trusts and ownership groups, re-examination of non-declining evenflow constraints, and issues surrounding cash flow and silvicultural investment.

Mr. Hamilton's opinion is that DNR has been conservative with regards to assumptions characterizing it as prudently conservative. He made a significant point about the quality of DNR's west side forest inventory and likely has the best forest inventory of any public land management agency in the United States suggesting that this should improve confidence in the Board's review of each of the alternatives. He then discussed the intensity of silviculture and the availability of cash to make future silvicultural investments, indicating that this has relevance to future sustainable harvest levels.

In summary, Mr. Hamilton stressed that risk appears to be a key factor in this process and in his opinion, the combination of having a simulation model, an independent technical review, a high quality forest inventory, and prudent/conservative management assumptions, lowers the risk of decision making by the Board in evaluating the six alternatives.

Bob Nichols noted an observation from the discussion - the consensus seems to be that a lot more needs to be done. He wondered where the technical committee was at on that issue.

Mr. Brodie stated that the current strategy is within the HCP so a NEPA process will be opened and expand the timeline and the process of the decision-making.

Dr. Carey added the technical review committee has not seen the results yet, but he remains convinced that within the six alternatives, there is not one that meets a definition of good environmental sustainability or one that would preclude problems with forest health in the future. He does not think the Board will choose one of the six, he thinks they will come up with a new set or a new alternative.

Bob Nichols asked if this could be remedied through a mix-and-match strategy?

Dr. Carey said no, due to the constraints so far on the basis of policy.

Bob Nichols asked Dr. Carey to elaborate on the volume vs. value statement he made earlier.

Dr. Carey said if you want to maximize the volume of wood produced, it must be done before the stem exclusion stage in forest development but that is inhospitable to biological diversity. So to create complexity in the forests you open them to allow sunlight and water to be used by the life forms but reducing volume production somewhat. Given longer rotations and a variety of wood products, if the market is supporting those you will get price premiums rather than price cuts for larger higher quality products.

Jim Zuiches noted an earlier comment made by Dr. Carey - the "competitive exclusion" category was the dominant category for the timber within the DNR inventory and constrains a lot of things regardless of what is done.

Dr. Carey agreed, adding that any movement towards sustainability will create a problem in trying to move from where we are to something that may be with a regulated forest.

Jim Zuiches said the most important point he has heard is that this is an iterative process and that we look at the sustained yield calculation continually and if there is a serious interaction that has detrimental effects, we change. He considered that an essential point and that we continually evaluate, recalculate, and adjust based on the latest science, technology, and management.

Dr. Carey concurred, adding that beyond that is future envisioning, otherwise, when a problem is detected, it's too late.

Bob Nichols brought up the three years it has taken to get this far and pointed out how workload intensive the process is and wondered if it is realistic to consider making the adjustments as they are needed if the adopted model allows the adjustment to occur.

Terry Bergeson added that there is a huge communication issue with the people of the state. Most people do not understand the importance of the decisions that the Board is making, and that outreach is imperative and must be improved. The long-term results are at stake.

Mr. Mossman concluded the discussion by stating that this is a tool that should be used and used regularly for any large action being considered. He stressed not to wait another ten years.

Chair Sutherland thanked the committee for their time and support to the department. He also recognized the other technical committee members not present (about 12 members - a mixture of private, university professors, Department of Fish & Wildlife, and northwest fisheries).

Sustainable Harvest Calculation Continued (Handouts 10 & 11)

Bruce Mackey began by thanking the technical review committee stating that they have provided tremendous input to the process, they volunteer their time, and the department is fortunate to have their expertise. He also publicly recognized the SHC team including Angus Brodie (team leader), JoAnne Wearley, Weikko Jaross, Brian Lu, Andrew Hayes, Eric Aubert, Scott Sagor, and Deborah Lindley.

Mr. Mackey also wanted to recognize this as the beginning of a process, not the end. They have the first results and the first runs and there is more refinement to come. He also noted that they are at a subtle shift meaning they are not going to pick among an alternative, rather run some options that frame a policy discussion. The options will bring forward to the Board the ability to understand and balance many factors including how much revenue, revenue variability over time, which trusts are impacted by these decisions and how, how much habitat (where is it, when do we get it, and what's its quality?). These are the issues that the Board will contemplate. What Angus Brodie and his team will bring the Board will be ways of viewing these issues to feel confident in their understanding of the tradeoffs and the sensitivities. An important question to consider - do we regulate volume or value? He reemphasized that through all of the policy discussions taking place, all of the options do produce healthy forests and do meet the HCP objectives. He clarified that the Board is not selecting an alternative at this time; they are attempting to understand which alternative is pushing which policy decision and helping guide them in understanding where they want to take the agency.

Mr. Mackey strongly emphasized the point that we need to move from using age as a surrogate for structure, to actually trying to use structure. This is one of the most difficult pieces to think about. Age is one of the easiest things to use but when the models were ran, it was found that it didn't reflect what was happening. He said to think about structure in terms of when do we get it, what kind of structure do we get, what does it cost, can we manage for it, or should we wait for it to be created. As those are considered we can start to use the model to think about what it can produce in terms of habitat.

Mr. Mackey indicated that over the next three months the SHC team will be refining data, have robust discussions, and lead the Board to an understanding about how to deal with the policy issues. That will bring the Board to a point of obtaining more information from the DEIS and once that is available, it goes out for public comment. After that third step, the Board will have the necessary information to make the

policy decisions needed. In the end, the Board will review all of the alternatives and craft a preferred alternative that meets the social, economic, and environmental qualities.

Angus Brodie began the sustainable harvest discussion with a summary of the draft modeling results. He indicated that the document focused on modeling outputs of the six alternatives. They are focused on volume and forest structure. The volume figures have been converted into gross revenues into stumpage prices. The team has several meetings set up with counties and various beneficiaries where they will be providing both volume and gross revenues. Essentially these are modeling outputs and there will be more information provided over the next few months.

Mr. Brodie noted that the DEIS will be released in October. Its release was originally anticipated in August, however that was not possible. He explained that this has been a disappointment and a frustration for the department. The reason for the change is that through the development of the DEIS, it became much more complex than anticipated. The complexity is due to attempts to make it as qualitative and as linked to the modeling outputs as possible. Other environmental impact analyses at this programmatic policy level are very qualitative in nature. The new timeline is firm.

The other two pieces of information being organized:

1) Net present value analysis (or the economic analysis) which is due out in October to coordinate with the DEIS. This will look at net present value analysis and trust-by-trust analysis.

2) Social economical resiliency, which looks at how rural communities adapt to economic change (this is being prepared by Richard Haynes of the US Forest Service Research Station). This isn't a simple input and output type of analysis just looking at the impact of jobs; it looks at the broad range of socially economic indicators to show how communities can change. They did some of this work for western Washington using a 1990 census date and we asked them to update it for the 2000 census data. They have done that and Jean Daniels has supplied an initial report. Mr. Brodie has asked Ms. Daniels to present the report to the Board at the October Board meeting. The data within the report is used for determining which counties have more resiliency or less resiliency in terms of change and what policies the Board may decide in terms of timber harvest or other activities that reflect on the forest and how these communities have the ability to change. The intent is to provide the Board with some background to consider.

Bruce Bare asked if Mr. Brodie would be providing net revenue by decade as well as net present value?

Mr. Brodie said yes. He then continued with the public input schedule stating that July through October 2003/mid November, there will be several individual interest group meetings particularly with the beneficiaries including the counties and school boards. These meetings are to explain, go into detail, and answer questions, about the information packet being released at today's Board meeting. The DEIS will be released in October and a formal scoping comment period will begin including a series of public meetings. At this time dates are not confirmed but the six locations are. After the scoping period is concluded, the information will be sent to the contractor who is developing the EIS to make the modifications and amendments. In December, the comments will also be brought to the Board, possibly in the form of a public workshop, and the essential elements of building a preferred alternative will be discussed. There will be interaction, presentations around key issues, and additional presentations by some members of the technical review committee. Mr. Brodie reminded the public that there are always opportunities to comment at the monthly Board meetings.

Mr. Brodie then gave an overview of the report (Handout 12) he had provided to the Board and the members of the public. He used a guide chart to help explain the report (Slide 15 of Handout 10 is "guide" to Handout 12). Mr. Brodie indicated that the handout would be available on the DNR Website tomorrow for the public.

Note: Mr. Brodie brought up a request made by Bruce Bare at the last Board meeting regarding the development of a matrix, and Mr. Brodie said it is being developed for each alternative.

Slides 17 & 18 of Handout 10 present conservation benefits and Mr. Brodie indicated that each alternative is designed to provide conservation benefits of the department's 1997 HCP and they all use the zoned approach, which is a designated habitat area, for example riparian and wetland, areas for Northern Spotted owls, etc.

Mr. Brodie then described estimates of age class in western Washington showing stand stages and forest base percentages (Slide 20 of Handout 10). He indicated that essentially there was one group producing habitat at a faster rate than the other group, stating that Alternatives 1 & 4 take a passive approach to management. In Alternative 6 there is active management in the design. He stated a policy question that the Board should be contemplating - how should the distribution look to be described as a healthy forest? Some of the outputs will lead to the description of a healthy forest when balanced with other objectives such as the economic and social objectives.

Terry Bergeson asked Mr. Brodie to clarify what he meant by this being a policy question?

Mr. Brodie clarified the importance of knowing when the forest will be healthy with a particular distribution, for example, how many botanically diverse forests are needed to have a healthy forest and a healthy landscape?

Mr. Brodie provided an overview of revenue, which is a summary of the conservation benefits (Slide 26 of Handout 10). He stated that there is good diversity across the alternatives in terms of the revenue they can produce and the volume that they can deliver. The three variables are: available area; ownerships; and flow control.

Mr. Brodie reiterated an important point about net revenues; some conclusions can be drawn from gross revenues, but it is important to look at the costs and the net revenues that will be produced. He then provided a summary table for revenue values (Slide 27 of Handout 10), which showed revenue distribution and methods. 90% of the revenue generated by the department goes to beneficiaries who utilize the funds for capital construction or debt service.

He then provided a trust-by-trust comparison of draft modeling results (Slide 29 of Handout 10). Within the alternatives, trusts with a larger forest base have less variability than trusts with small bases. Also, across the alternatives, generally an increase in average revenue results in increased variability. He also noted that when large trusts are lumped with small trusts, in terms of land ownership, and the flow control is relaxed, the larger trusts seem to benefit more than the smaller trusts. He noted that these are important for the Board's consideration as they design and redesign the ownership groups.

Mr. Brodie next presented flow control management strategies (Slide 30 of Handout 10). He indicated it is a complicated subject but wanted to share some important points for policy discussion and consideration. Essentially, when flow control constraints are relaxed, there will be more variability in volume over time but will also be higher averages over time.

Mr. Brodie reviewed summary points (Slide 31 of Handout 10):

Revenue Generation

Less constrained flow control policy provides significant opportunities for active management.

Ownership group's policy needs further discussion and a focus on individual trust objectives/needs.

Harvest regulated by value, and economically determined rotations in non-habitat areas provide greater returns (Note: we do not have the EIS to show the environmental consequences of this route).

Conservation Benefits

Longer rotations benefit more complex structures.

Active management has to be the "right type" of silviculture to accelerate the development of complex stand structures.

Passive management appears to be an option for developing complex forest structure, albeit a risky and expensive one (\$106 million vs. \$208 million in gross revenues between Alternatives 1 & 6).

Note: Jim Zuiches excused himself from the meeting at 3:15

Mr. Brodie concluded with a summary of future events and agenda topics (Slide 32 of Handout 10). Publication of DEIS in October; public comment period 45 days from DEIS publication date; BNR design preferred alternative for FEIS.

Bob Nichols pointed out consistency within the discussions regarding the economic benefits and the environmental benefits, but there has been little discussion about the social benefits (the third circle) and he asked how that would factor into the upcoming discussions?

Mr. Brodie said that it would be brought forward within the social resilience data being provided by Jean Daniels and Richard Haynes in October. That will give the Board a backdrop to the implications of changes made in trying to meet the revenue generation and habitat management objectives.

BOARD DISCUSSION

Chair Sutherland discussed the August Retreat, indicating that Angus Brodie would not be able to attend, therefore no major SHC discussions will take place, however there will be a budget discussion added to the agenda to be presented by Bonnie Bunning and Bob VanSchoorl.

Terry Bergeson suggested that the Board members still have a SHC discussion among themselves to determine any questions they may have of each other. She thinks it's important to keep the discussion going.

Bruce Mackey agreed, and added that as information is made available, it will be brought forward for the Board's consideration.

Chair Sutherland concurred.

Glen Huntingford asked if Mr. Brodie would provide him with a list of the upcoming SHC public meeting dates and locations because he would like to attend some of the meetings to hear the dialogue with the public.

Mr. Brodie said he would, but clarified that it will not be a formal comment process.

Bruce Bare asked when Board's mix-and-match discussion would begin and will those be restricted to the six alternatives or will the discussion move out to the un-zoned approach?

Mr. Brodie said the decision is for the Board to make. He pointed out that if the discussions go outside the EIS analysis of the six alternatives it will complicate the process.

Bruce Bare said it would be informative for the Board to see a model of an un-zoned approach, its consequences, and bring back the same set of outputs. If there is a huge advantage or a huge cost, then the Board can take that information into account.

Mr. Brodie said possibly at the September meeting they can bring some of this forward.

Bruce Bare asked if the matrix will follow the 2002 format (he indicated that was very helpful)?

Mr. Brodie said yes, a similar format.

PUBLIC COMMENTS FOR GENERAL ITEMS OF INTEREST

Bob Dick - American Forest Resource Council (Handout 13)

Mr. Dick stated that for many years he has suggested to the department that it should be dealing with the social aspects of trust land management and indicated that that in the past he was told that is not part of the trust mandate. He congratulated the current administration for looking at that aspect. Part of that discussion is about rural areas, which did not benefit from the 1990's economic expansion unfortunately they did suffer from the 2000/2003 depression. The department has the power to extend a hand. Responsible citizens do not expect the department to plunder the resource but they do expect it to prudently balance revenue production and habitat management, which will benefit the citizens.

He then asked the Board members to look Page 26 of Handout 12 and look at "stand development stages" definitions: ecosystem initiation; competitive exclusion; understory development; botanically diverse; niche diversification; fully functional; and old growth natural. He indicated that these terms are only correct if you assume that old growth is the ultimate goal of land management. For example, the category "botanically diverse" - if you are looking for a botanically diverse piece of ground, you can go to a clearcut about six years old and there you will find botanic diversity and biologic diversity. If you are looking for a "fully functional" forest you will not look at old growth, you will look at a forest with pieces of all seven categories. Good habitat can be created and maintained in a managed forest; less harvest does not necessarily equate to lower quality habitat. He then stated his appreciation to staff for all they have put into this process and believes they are on the right track.

Rod Fleck - Attorney for the City of Forks

Mr. Fleck also believes the department is on the right track with the SHC. He pointed out a term Mr. Brodie offered in lieu of predicting the future with certainty, which was "coefficient of variation" and he thought this was an accurate way to have the discussion about the risk involved and he appreciated the term. He noted that it would be helpful to have the HCP agreement terminology shown for each alternative. He also said it would be useful to know if the alternatives assume Murrelet strategy and a riparian zone strategy at least in the OESF portion.

Mr. Fleck said it was reassuring to see the differences between Alternative 1 (the current) and Alternative 2 (the HCP policy as intended) confirm what his government and colleagues have been saying for years, and that is that the prior administration's internal policies (not approved by the Board) seem to exceed the

HCP, and there was a cost to the beneficiaries of millions of dollars per year, and potential future costs, and shows that the original HCP SHC was significantly overstated under either Alternative 1 or 2.

He said that he is looking forward to the information about the OESF in Capital Forest, which Mr. Brodie indicated would be coming out soon. He would also like to see the on-and-off base lands broken out and where those might be by trust. He stated that would be crucial for trust managers and the trust beneficiaries.

He thanked Dr. Carey (technical review committee member) for his comments, especially regarding local involvement. In conclusion, Mr. Fleck said it was interesting to see the differences between Alternative 1 & 4 in some of the management package, but also in the final benefits to the beneficiaries. It met the environmental concerns and the strong preservation approach, but it was much better than Alternative 1, which is current management. He thinks that illustrates that Alternative 1 far exceeded what was agreed to years ago.

Becky Kelley - Washington Environmental Council (Handout 14)

Ms. Kelley thanked Mr. Brodie and his team for their hard work. She thought the discussion with the technical review committee about some of the long term and short term changes going on within the wood economy were fascinating and she hopes those discussions will continue. She thinks the state is in a period of transition and it's a difficult time to be a land manager and a lot of private lands are selling. She thinks Dr. Carey's comments challenged how to think about maintaining forestland in Washington and getting people to feel comfortable with our logging products. We need to log in a way that is acceptable to the public and that maintains biodiversity and forest health both for productivity and for environmental benefits.

Ms. Kelley has been visiting state forests and timber sales that are soon to be harvested or that have recently been harvested. She indicated that she has been taking pictures and she shared two of the photos that illustrated various sizes of stumps left from the harvests. She noted that the older stumps appear to be larger in most cases and the smaller stumps are from newer harvests. She also noted the leave-trees are relatively small. She said this indicates to her the change that is taking place in the forest and the overall character of the forest is changing. That has environmental implications and implications for how the public feels about logging. She said she hopes these things will be discussed at the retreat and she encouraged the Board to think about the various stump sizes and the transition that the forest is going through, and to consider longer rotation ages.

Ms. Kelley drew the Board's attention to Page 15 of Handout 12 to the assumptions that go into Alternative 1 where it states "Memo 1 released in 2007; Status 1, and SW WA maintained for 200-year planning period". She stated that this is not what DNR intended under this commissioner or the previous commissioner. She said it doesn't reflect the current policy or agreements with Fish & Wildlife. She thinks it could be a significant enough amount of acreage that it could influence the results.

Ms. Kelley concluded with the range between the alternatives such as 6, it looks like it is increasing timber harvests by about 70% over what was done this year. She wondered where the additional harvest is occurring on the landscape and what is the impact. She is looking forward to seeing the spatial model.

Carol Johnson - Executive Director of the North Olympic Timber Action Committee

Ms. Johnson began by introducing two guests in the audience, Steve Therenger - County Commissioner and Dave Heglewire - Assistant Deputy Director of Port of Port Angeles and a member of the Forest Practices Board. She indicated that the SHC discussions were very informative and helped her understand a bit more and she hoped that one of the six upcoming public meetings will be held in Port Angeles. She brought up a point the Dr. Carey made about the opportunities to change policy, laws, and

the HCP to enhance the forests and Dr. Bare talked about getting information on number 7. She said she was intrigued to get that information.

Marcy Golde - Washington Environmental Council

Ms. Golde stated that she had many questions about the SHC discussion, one being the land base. She indicated that the land base, as it was previously defined in on-base/off-base, (a very large portion of off-base) was land that had very low production and considered not viable. She wants to know where this land is in the new land base classifications? She also observed the comparison of conservation and revenue costs of Alternatives 1 & 4, with Alternative 6 she indicated that it is important to remember that those numbers are gross revenue. The difference in gross revenue where you have more passive management, and gross revenue where you have very intensive management, is your management costs can be very significant and can change or modify the way the revenue numbers look.

Ms. Golde concluded by suggesting that as the Board looks at the alternatives and all of the pieces that go into the models. It will bring you back to the question of trees and where they are coming from i.e., are they important to salmon, are they important owls, etc.

Chair Sutherland asked if there was anyone else present wishing to make comment before the Board? Seeing none, hearing none.

Meeting adjourned at 3:50 p.m.

Approved this ____ day of _____, 2003

Doug Sutherland, Commissioner of Public Lands

Bob Nichols for Governor Gary Locke

Bruce Bare, Dean, University of Washington

R. James Cook, Dean, Washington State University (Interim)

Terry Bergeson, Superintendent of Public Instruction

Glen Huntingford, Commissioner, Jefferson County

Attest:

Maureen Malahovsky, Board Coordinator